Weekly Economic Review

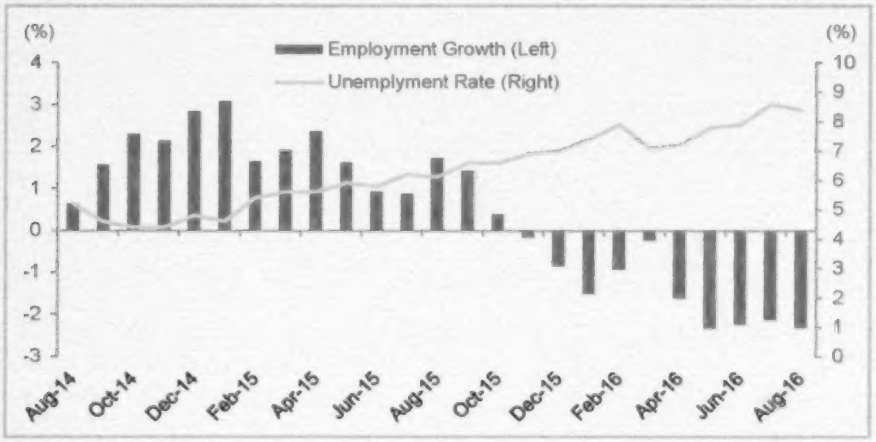
Welcomed uptick for Alberta employment

Employment

Labour market gets a small reprieve as summer comes to a close

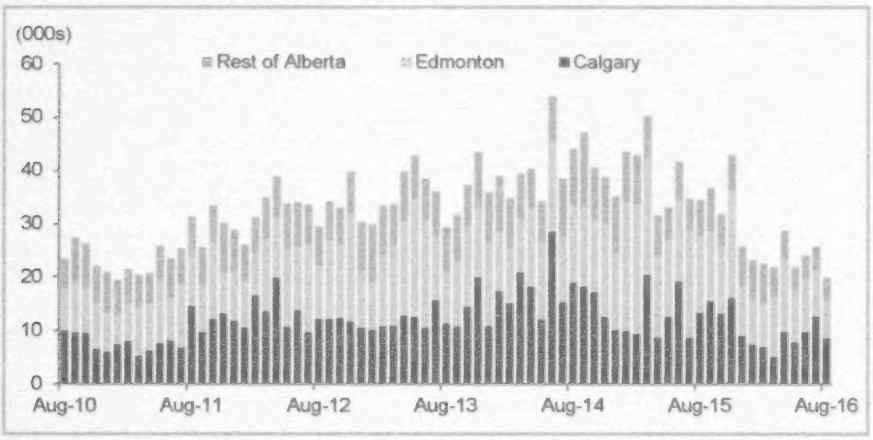
Amid the ongoing economic downturn Alberta's labour market got a welcomed boost in August, adding 2,700 jobs (Chart 1). The goods sector was the main driver of job growth (+6,700), propelled by a record setting monthly jump in Forestry, Fishing, Mining, Oil and Gas (+9,800). The service sector subtracted from job growth (-4,000), with large declines in Information, Culture and Recreation lost (-6,900) and transport and warehousing (-6,800). Self-employment also contracted, cutting 10,200 positions. All new jobs were for full-time positions, while part-time positions subtracted from employment growth. The uptick in employment after four straight months of job losses helped lower Alberta's unemployment rate to 8.4%.

Chart 1:
Alberta unemployment rate and year-over-year change in employment growth



Source: Statistics Canada

Chart 2: Alberta housing market sees a steady slowdown in housing starts
Alberta housing starts (annualized)



Source: Canada Mortgage and Housing Corporation

Housing Starts

Starts resume slide

As the province's real estate market struggles through tough economic times, housing starts tumbled to the lowest level since January 2011. Following three months of improving starts, there were 20,028 (annualized) housing starts across Alberta in July (Chart 2), down 42% year-over-year (y/y). Multi-family starts were down 56% y/y, suppressed by a slowdown in the construction of apartment buildings - a market segment which is prone to larger fluctuations in activity. Single family starts also remained weak (-22% y/y). Housing starts in Edmonton have weakened in recent months (-51% y/y), receding to the lowest level since February 2011. Starts were also down in Calgary (-36% y/y), halting two months of improving activity. Rural housing starts were essentially unchanged in July.

New Housing Price Index

No upward pressure on prices

Given the persistent weakness in Alberta's housing market, prices have remained resilient. The New Housing Price Index (NHPI) was unchanged in July, though down 0.4 percentage points (pp) compared with the previous year. The weakness was concentrated in Calgary's housing market, where prices deflated by 0.7 pp y/y. House

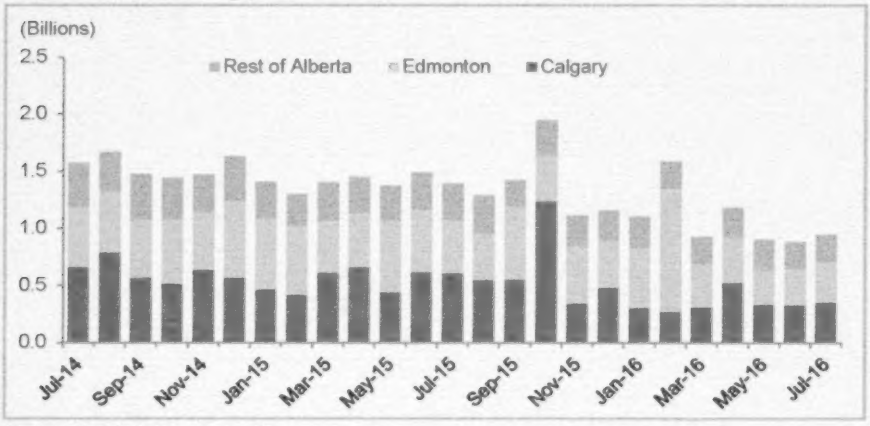
prices in Edmonton have also started to soften as the NHPI declined for a second month, down 0.1 pp y/y. The value of undeveloped real estate has been more resilient than properties with completed structures; land-only prices across the province were up 0.7 percentage points y/y in July; house prices weakened for the fourteenth straight month (-0.9 pp y/y).

Residential Investment

Housing market slowdown induces investment cuts

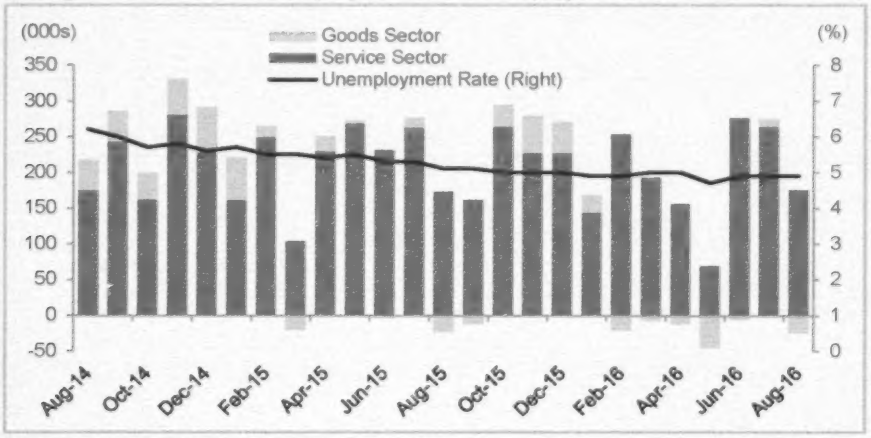
Alberta residential investment in the second quarter of 2016 totaled $4.2 billion, down 17% compared with the same period last year. New dwellings (-29% y/y) accounted for most of the investment cuts, with investments in single unit housing, double unit housing, row housing and apartments all exhibiting weakness. Renovations remained the sole investment bright spot, rising 4.7% y/y. Spending on renovations has risen by 3.8% through the first half of 2016.

Chart 3: Despite monthly uptick permit issuance remains lacklustre
Total value of building permits issued



Source: Statistics Canada

Chart 4: Job growth slows slightly after two months of strong gains
Changes in US non-farm employment and unemployment rate



Sources: US Bureau of Labor Statistics

Building Permits

Small bounce in building permits

The value of Alberta building permits rose to $951 million in July (Chart 3), up 7.4% month-over-month (m/m). The increase was broad-based, with gains in residential (3.8% m/m) as well as non-residential (12% m/m) permits. Permit issuance for industrial structures (48% m/m) was particularly strong. However, despite the monthly jump, the value of new building permits remained low compared with the previous year (-32% y/y). Both residential (-35% y/y) and non-residential (-27% y/y) permit issuance remained weak, especially, permits for commercial structures (-41% y/y). Moreover, both Edmonton (-23% y/y) and Calgary (-42% y/y) have seen reduced values of building permit issuance over the past year.

US Employment

Job growth slows as summer ends

Following two solid months of employment growth, the US labour market cooled slightly towards the end of summer. Employment was up by 151,000 workers in August (Chart 4), compared with an average of nearly 200,000 per month over the past year. Services industries accounted for all new employment (+175,000), while goods producing industries cut 24,000 jobs. Manufacturing and construction employment especially hard-hit. The beleaguered mining industry extended its job loss streak to a staggering twenty-three months, shedding 4,300 more positions. Both the unemployment rate (4.9%) and labour force participation rate (62.8%) were unchanged.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.